

Congressman Wally Herger (R-CA) testified at a Small Business Committee hearing today in support of his legislation to repeal the 3 percent withholding tax currently scheduled to take effect on January 1, 2013. This tax, also known as Section 511, will require 3 percent of all payments by federal, state, and local government agencies for goods and services to be withheld for income tax purposes. The House of Representatives has voted twice to repeal the 3 percent withholding tax because it would severely harm the cash flow for small businesses that do business with the government, while also imposing enormous costs on government agencies at all levels. Herger's legislation has gained significant bipartisan support and currently has 128 cosponsors. You can watch video of his opening statement [here](#) and video of the question and answer period [here](#). After the hearing, he delivered the following public remarks:

"I just participated in a hearing on repeal of the three percent withholding provision and it's painfully clear that small businesses, jobs across America, and our efforts at economic recovery are at risk. Small businesses are the lifeblood of our economy. I come from a small business background myself, so I have firsthand knowledge of how our country's entrepreneurs and job creators are burdened by a complex tax code and cumbersome regulations. If this tax provision is permitted to go into effect, it will only add to that burden."

"Three percent withholding is aimed at catching a handful of tax cheats but it punishes everyone while doing very little to address the problem. It's the equivalent of using a sledgehammer to kill a fly. In the end, the fly gets away and all you're left with is the damage caused by the sledgehammer."

"It's very cost to implement is prohibitive. The Department of Defense has said that it will cost them \$7 billion alone to implement – more than the entire provision is expected to bring in. We don't yet know how many more billions will be needed for implementation. It's obvious that at the end of the day, three percent withholding will cost the federal government money – and even more damaging, it will cost American small business jobs. We need to repeal 3% withholding as soon as possible and give our small businesses the certainty they need to get back to creating jobs."

The U.S. Chamber of Commerce echoed Herger's call for repeal. "While we firmly believe every business should pay its full tax obligations, Section 511 attempts to close the tax gap in a particularly onerous way – by dramatically increasing the burden on the already compliant

taxpayers and passing a huge portion of the cost for collecting and tracking payments onto state and local governments. In short, the costs far outweigh the benefits. Section 511 should be fully repealed."

In addition to the U.S. Chamber of Commerce, Herger's legislation has broad support from 130 organizations committed to the repeal of three percent withholding, including the American Farm Bureau and the National Federation of Independent Businesses. You can view the whole list at <http://www.withholdingrelief.com/members-of-coalition/> .